

# Motivational Factors for Halal Certification Adoption among Small and Micro Enterprises in Malaysia

Nur Shuhada Abdul Basir, Chemah Tamby Chik, Sabaianah Bachok, Noradzhar Baba, Rasidah Hamid & Maria Mohd Salleh

*Department of Foodservice Management, Faculty of Hotel and Tourism Management, UiTM Selangor, Puncak Alam Campus, Selangor Darul Ehsan, Malaysia.*

Corresponding author: [chemah72@gmail.com](mailto:chemah72@gmail.com)

**Abstract**— The halal food industry is vital to the world wide muslim consumers to ensure the food they consumed, use and purchase are hygienic, clean and not harmful to health. Muslim is the largest group in Malaysia with 61.3% from total population. Thus, having halal products are important in Malaysia. However, halal is not just for the muslim, the process of producing halal product may well benefit non-muslim all around the world. Therefore, the markets for halal product are huge beyond the consumption of Malaysian population. But the capabilities of exporting halal products among small and micro enterprises in Malaysia are still weak. Therefore, this research intends to study the motivational factors that influence or hinders halal certification adoption among small and micro companies. It is designed to investigate the connection between motivational factors towards halal certification adoption, to study if expected competitiveness affects halal certification adoption, and to what extent top management commitment impacts the halal certification adoption. This study could add knowledge and help government in introducing policy to encourage these companies to embark in the halal journey.

**Keywords**— *Halal, Motivational Factors, Small Micro Companies*

## 1. Introduction

The Muslim consumers make up around 25% of the world's population and this percentage is rising every year [40]. In view of this, the demand of halal products has grown over the past few years in the world and at the same time the halal industry also has been evolving and growing at a rapid pace [18]. However, the halal sector is not just about food products, it also includes various types of services offered to the Muslim population. Whereas halal products include meat and poultry, non-meat food, personal care, cosmetics, pharmaceuticals and health products. While services include Islamic finance, takaful, travel for pleasure, education, and healthcare (Malaysia International Halal Showcase).

However, Halal is not the sole property of Muslims but has extended globally. Malaysia which is made up of many races, religions, and cultures has become an important halal hub and this has turned into an asset in the development of halal [43]. Malaysia's halal portfolio has also expanded beyond the food and beverage, venturing into various other sectors such as cosmetics, logistics, pharmaceutical, and tourism [10],[32]. The concept of halal food in Islam refers to the safety, hygiene, and processes that make them permissible for consumption [45]. This study intends to study the motivational factors that influence or hinders halal certification adoption among small and micro companies. The halal food industry is vital to the worldwide Muslim consumers to ensure the food they consumed, use and purchase are hygienic, clean, and not harmful to the health [5]. According to the [9], the proportion of Muslim is 61.3% which brings it as the largest number in the Malaysia population. This is why halal products are important in Malaysia. Malaysia becoming the pioneer in the halal industry began in 1974 when the Research Centre for the Islamic Affairs Division started to issue halal certification letters for products that met the halal criteria at the time. In 2000, the first halal standards were released and Malaysia is the first country to have a documented and systematic Halal assurance system. Government's intention in making the country, Malaysia as a global Halal hub has created the participation of Muslims' SMEs is very much desired.

Foods that are fit for consumption consist of quality elements. The quality of food is not just about its looks, texture, and taste. In halal concept, quality food includes its hygiene and wholesomeness and these are among the factors lacking in the small medium enterprises especially when they wanted to adopt halal [4]. The major retail chains operating in Malaysia are looking to stock more local produce, but many local SMEs have trouble meeting the consistency of quality and supply that the big retailer's demand [25].

It is further noted that the demand for halal certified products has increased significantly especially in food and beverage product [50]. But the companies available to fill the gap are still low. Small medium enterprises are still

behind in terms of halal certification due to several issues such as financial constraint and management issues [34], and lack of knowledge [41]. In order to encourage these companies, the government needs to formulate overall policies for the small medium enterprise to adapt halal in their company [41].

In line with that, there are some scholars stated that food service industry has had some challenges in halal food certification [22]. Among the challenges includes cost [34], lack of government support, [39] and awareness [29]. However, according to Salikin [38], adopting a quality certification require more than cost, support and awareness. It requires motivation [20] and knowledge [30].

Additionally, studies in halal had focused on halal awareness and perception [11], halal certification [44] and halal supply chain [42], thus knowledge in the motivational factors influencing the adoption of halal certification in the small and micro enterprise are still scarce. This study could add knowledge and help the government in introducing a policy to encourage these companies to embark on the halal journey. Halal certification could provide greater consumer confidence in consuming or buying a product. In addition, halal certification is a potential useful branding and marketing mechanism for products and also services. By understanding the factors on halal certification adoption for small and micro enterprise, the policy maker may know the level of acceptance on halal certification adoption for small and micro enterprise. From the academic perspectives, this study may contribute to other researchers as their main references regarding to the study on motivational factors towards halal certification adoption for small and micro enterprise. Moreover, this study will also help in contributing a new body of knowledge and also provide extend to the body of literature in halal related study. In addition, this study also would be able to help future researcher as their guide in assessing on halal certification adoption. Lastly, this study will likely encourage other researcher to study more items that are related to the halal certification adoption.

#### *Small and medium enterprise (SME)*

Small and medium enterprise (SME) in Malaysia can be traced back into the early 1970s align with the implementation of New Economic Policy in 1971 that aimed to improve people's welfare and restructure ethnic economic imbalances. Then, SMEs were further strengthened by the implementation of the Malaysia Industrial Master Plan, which is the Industrial Master Plan 2 from 2000 to 2005 than it was followed by the Industrial Master Plan 3 from 2006 to 2020. In addition, in order to support these enterprises the government had provides financial support for SME business startup.

In line with that, according to [41], an enterprise is considered as an SME based on the annual sales turnover or number of full time employees. Small enterprises are enterprises that have their sales turnover from RM300000 and not exceeding 3 million with the capacity of 5 to 30 fulltime staff. Micro enterprises are enterprise that had

sales not exceeding RM300000 and less than 5 fulltime employees. While the medium enterprises are those who had sales turnover from RM 3 million and not exceeding 20 million with the numbers of fulltime employee 30 and not exceeding 75 [41].

According to [37] the challenges that been facing by Malaysian SMEs includes lack of managerial capabilities, low productivity, lack of financing, barrier from global sourcing, difficulty in facing recession, difficulty in accessing management and technology, and heavy regulatory burden. [46] found that the barriers include lack of access to credit and lack of access to formal business and social networks. In Malaysia the estimated failure rate of SMEs is approximately of 60% [1]. It shows that SMEs in Malaysia are facing plenty of obstacles and issues to stay competitive enterprises in the market. [28] identified the problems faced by SMEs in Malaysia are lack of knowledge in terms of marketing techniques, branding, customer loyalty and also lack of relationships with others local and international enterprises. In line with that, [2] stated that SMEs in Malaysia have social barriers which block the SMEs to achieve the competitive advantage and they had lost out in terms of opportunities. The motivational factors could benefit the company by increase awareness towards food safety it results to the increase in confidence of the consumer in buying products that are being certified. In result of that the company are motivate to implement certification in order the business to move forward [12]. Halal certification is needed in SME to ensure that the business could move to the next level and penetrate the overseas market [3].

## **2. Motivational Factors**

Motivation can be classed into intrinsic and extrinsic [31] had proposed a model of intrinsic and extrinsic of work motivation. The features between extrinsic and intrinsic were first introduced by Herzberg in 1959 as he divided work rewards into the two different categories [19]. The concept of intrinsic motivation was proposed as a result of the critical reaction to two behavioral theories from 1940 to 1960. Intrinsic motivation could be described as natural desire towards the absorption, mastery, impulsive interest and exploration that is crucial to cognitive and social development [36]. In line with that, motivation could be referred as the willingness of performing activities and the satisfaction results from the participation [49]. From what had been discussed by the previous researcher, it can be said that intrinsic motivation is the tendency of one's seeking out challenges to extend their capacities, to explore, and to add extra knowledge from something new. An intrinsic motivation resulted to a person motivated to perform tasks because the activity could satisfy the individual [8].

All behaviors are motivated by one's physiological drives. As for intrinsic motivation, activities had done provide satisfaction for psychological needs [17]. There are many definitions of intrinsic motivation; there is some researcher who defines intrinsic motivation in terms of the task that one's being interested and also satisfactions an

individual gain from the task engagement. As for extrinsic motivation, [16] argued the claim that extrinsic always damage intrinsic motivation. They argued that the value of both motivations depends on the length of one's involved in the task. A person is driven to perform the task because it leads to some separate consequence. This happens when a person is extrinsically motivated [8]. For a person to be extrinsically motivated, it is a combination of an activity and some reward. This means that motivation needs both the activity and also the rewards [15]. From here, it can be concluded that extrinsic motivation is something that contains any activity been done in results to gain outcomes.

There are several studies that identified motivation in the food industry which includes regulatory compliance, market focus, stakeholder expectation, top management initiatives and commitment. [3] stated that the most influential factor in the motivation in implementing food safety management system was the top management, the degree of interconnectedness, expected legitimacy, firm size and so forth. Studying and understanding the motivation factors for Halal certification is vital because it provide meaningful insights to researchers, academicians and the industries to broader the implementation of food safety certification [48]. It is important to rank the motivation factors as it gives an in-depth understanding of the critical factors in implementing food safety certification. [23], the Halal food certification approach is consistent with the best practices of other types of food quality assurance standards. [21] observed that the Halal dietary requirements can be harmonized with the principles and concepts of Hazard analysis and critical control point (HACCP). As an improvement from HACCP that meant to fill in the managerial gap, ISO 22000 were introduced. As a food quality system, ISO 22000 is vital to the industry as it will provide recognition to consumer, competitors and also the industry that will help the company to attract more consumers to buy their product [7].

Frequent cases of food contamination and food borne illnesses have caused consumers to question the safety and quality of the food preparation, handling, and distribution. In an attempt to resolve the issue, food companies are striving to ensure that every product in the market is certified with halal certification by JAKIM. Having a halal certification will ensure company to ensure and improve product safety and [6]. The determination to increase product safety and quality is among the top motivation factor from those countries; New Zealand [6], Malaysia, [12], and Serbia [47]. In line with that, companies implement certification as an effort to protect the consumer's food borne diseases [24]. The motivation of food certification adoption is to offer safe and quality food for consumer consumption. The demand of quality local food has result to pressure on local food companies and motivated them to implement certification. Additionally, in order to ensure consumer satisfaction and fulfilling the demand for quality and safer, food company will implement food certification [33]. Pressure from government regulations and policies could also directly or indirectly motivate for food certification implementation [27]. [3] stated that the adoption of food

certification can broaden a firm's business territory which means in terms of easy penetration of overseas markets. This will result to firms are motivated to implement certification for the benefits of both in local and foreign markets. As be mentioned by [3] motivational factors could be categorized into expected gain of social legitimacy, expected gain of economic competitiveness, perceived importance of stakeholder and top management commitment. In line with that, motivational factors include regulatory compliance, market forces, stakeholder expectations and top management initiative and commitment. Although small firms may not have strong financial capacity to expand their business but they are still able to compete for local market. The chances to increase market share had result to motivate SMEs to implementing certification [27]; [12]; [14]. On the other hand, [2] said that increase in market share is a less significant motivation to certification.

Not only has that, firms also implemented food certification in order to improve the internal operation [6]. [27] stated that certification ensures food production and preparation are in-line with the standard operation procedure and guidelines provided by the local authorities and it will minimize defects and waste for rework. In result with that, the number of customer complaints will be reduced [2]. Studies found that food enterprises implement certification to encourage the employee motivation [35] and improve [33]. From the above, there are many studies that indicate the motivational factors for certification.

In addition, inter-firm competition is also a motivational factor that motivates companies to implement food certifications. There are study found that rival firms are indirectly pressuring competing firms and motivates competitors to have certification [26]; [6]; [14]. Companies are motivated to implement certification because it can improve the company image and also build up a good reputation [27].

### 3. Conclusion

This study is to determine the motivational factors in halal certification adoption. Due to the limited literature on halal certification, the motivational factors towards halal certification are extracted from other forms of food safety and quality certification standards. This study has shown the motivational factors that have been reviewed from the past research. This study focus on motivational factors due to the dimension included in motivational factors provides significant results to the previous study. Based on previous studies and findings, expected competitiveness can influence the food safety management system adoption [3]. The findings from [3] stated that when the managers considered and realized on the sources of the competitiveness, it results to the adopting of food safety management system. In addition, [12] highlighted that top management support positively impacts adoption of Malaysia food safety system. In line with that, [34] said that support from top management is crucial factor in adoption of any management system. To support those

researchers, [45] also agreed that top management commitment is a critical success factor of quality management practice.

Ref. [3] stated that top management commitment will influence the implementation of food safety management system. To confirm this [3] also stated the responsibilities and commitment shows by top management in firm will increase food safety management system adoption. Based on the previous study, it shows that top management commitment is significant to halal certification adoption. From here the researcher can conclude that from many perspectives of the study and variety of research settings, top management plays an important role to ensure that halal certification adoption works smoothly. Motivational factors are vital in halal certification due to the top management commitment. By showing their commitment in halal certification adoption, the process of adoption will be run smoothly as they provides time, money and ideas in the adoption. In inspiring halal certification adoption, the study on the motivational factors is important because it provides significance to researchers, academicians and the industry by providing the insight on the halal quality certification. In addition, the study will add to the body of knowledge. In addition, this paper provides the valuable information for SME companies in Malaysia to adopt halal certification. The research project is expected to be a reference for the future researcher and be valuable in directing their focus, efforts, time, and resources on the halal certification adoption.

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